

Internal Audit Update Report

29 March 2022



Introduction

1. Internal Audit is an independent and objective assurance and consulting function. The shared team undertake reviews over the course of the year that are designed to evaluate and improve the Council's internal control, governance and risk management processes. Each individual review contributes towards the Chief Audit Executive's overall opinion on systems of risk management, governance and control provided at the end of the year.
2. This report provides Members with an update on internal audit activity, and, most importantly, its outcomes, against the Plan that was agreed by Members of this Committee in March 2021.
3. It also seeks to enable the Committee to discharge its responsibility to provide oversight of the quality and effectiveness of the Internal Audit Partnership. The Key Performance Indicators for Quarter 2 are provided in **Annex D** and an update on the Partnership's Quality Action Plan is provided in **Annex E**.

Internal Audit Progress Update

4. The approved 2021/22 Internal Audit Plan is divided into two sections; Plan A contains the audits that are priorities for completion and Plan B contains additional audits that will be completed if resources allow.
5. An overall summary of Internal Audit progress against both Plans as at 3 March 2022 is included below in **Annex A**. We have made progress against Plan A with eight pieces of work fully completed and a further six in fieldwork or reporting stages.
6. There have been vacancies at Auditor and Audit Manager level during the year as well as long term sickness absence which have hindered the Partnership's ability to progress the Audit Plan as quickly as expected. We are now at full establishment with the Audit Manager having now started in her post.
7. We have reviewed the current Audit Plan in light of changes within the Partnership and within the organisation itself. In our view, the Plan remains broadly fit for purpose and aligned to key risks. However we are proposing one change which Members are asked to approve:
 - Deferral of the 'Asset Management' review until 2022/23. This was due to be completed in Quarter 3 but the service have implement a new system and so it is no longer an appropriate time to undertake this review. Deferring until 2022/23 allows time for the new system to be embedded and for Audit to assess the effectiveness of the new controls.

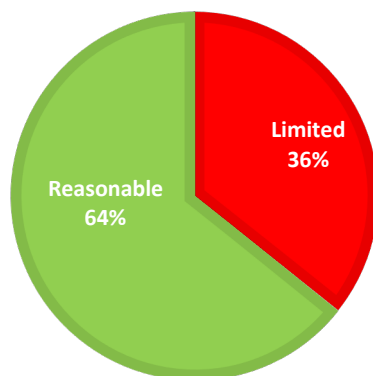
Internal Audit Outcomes

8. As a result of the resourcing issues mentioned above, no new final reports have been issued since the last quarterly update. The team have been focussing on progressing work already in progress and developing the audit plan for 2022/23.

9. The chart below shows a breakdown of all audit assurance opinions to date for the 2021/22 financial year. Members will note that overall, the largest proportion of audits received 'Reasonable' assurance and the overall proportions are approximately in line with the year end 2020/21 position. It will be continually updated for future progress reports to Committee.

ASSURANCE RATINGS

■ Limited ■ Reasonable ■ Substantial



10. One of the primary functions of Internal Audit is to provide assurance that identified risks are being effectively managed and to this end, the table below also provides links between Internal Audit work and the current Strategic Risk Register. This does not mean that all controls have been covered as part of our audit but simply shows Members where they may be able to gain some assurance over the management of risk through our work. There are audits on the Plan for all risks currently shown with no coverage with the exception of the new 'Net Zero' risk and, as each audit is completed, the table will be updated for future reports to this Committee. Assurances over risks with less coverage will be considered as part of the 2022/23 Audit Planning process.

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR01 Finance	Medium	Ten Year Budget Strategy Covid 19 Grant Funding Payroll Corporate Credit Cards	Reasonable NA Reasonable Limited
SR02 Property Investment Strategy	Medium		
SR03 Asset management & maintenance	Medium		
SR04 Knowledge, capacity & culture	Medium	Appraisals	Reasonable
SR05 Technology	Medium		
SR06 Information & data management	Medium		

Corporate Risk Register	Current Risk Rating	Internal Audit Coverage	Assurance Level
SR07 Legal compliance, governance & ethics	Low	Parking (PCN)	Reasonable / Limited
SR08 Capacity of community partners	Low	Community Grants Process	Advisory
SR09 Health & Safety (incl. Staff Wellbeing)	Medium		
SR10 Emergency planning & severe weather events	Medium		
SR11 Safeguarding	Low	Safeguarding	Limited
SR12 Covid-19	Medium		
SR13 Temporary Accommodation	Medium		
SR14 Capital Projects	Medium		
SR15 Net Zero	Medium		

Follow Up

11. Internal Audit follows up all Critical, High, Medium and Low priority findings as they fall due. **Annex C** shows the results of our follow up process for actions due in Quarter 3 this financial year. All deferrals have been agreed by the Chief Officer – Finance and Trading or else the actions have made significant progress and we are expecting them to be fully implemented shortly.

Internal Audit Performance

12. Audit Committee has an important role to play in overseeing and ensuring the quality and effectiveness of Internal Audit, in order to assure themselves that Internal Audit makes a robust contribution to governance and that reliance can be placed on its conclusions. This oversight is facilitated through the Quality Assurance and Improvement Programme, which includes an action plan and performance indicators.
13. **Annex D** contains the results of our Key Performance Indicators (KPIs) for Quarter 3 (October – December). These KPIs highlight that customer satisfaction remains good and that we are planning sufficiently in advance of audit fieldwork. The main areas for action at this stage are percentage of budgeted days taken to complete a project and the timeliness of audit delivery. The KPIs show that too few draft reports are issued by the date given on the audit brief and audits are repeatedly taking more days to complete than anticipated. We continue to explore root causes and address these in 1:1s and team meetings, including whether initial expectations are realistic.
14. The results of the various strands of our Quality Assurance activity combine into a single, overarching Quality Improvement Plan which is presented in **Annex E** (as at 4 March 2022).

The Plan is divided into different themes encompassing internal audit activity but the fundamental objectives of the Plan are to move us into a position of being 'Generally Conformant' with the standards, improve service efficiency and to ensure that all audit work adds value to the Council. It is presented to Audit Committee minimum six monthly and was last reported in July 2021.

15. The current iteration shows that we have made some good progress against our actions, including review of core processes (in particular those which relate to reporting), development of a Customer Charter and provision of the majority of identified training. Some actions are behind schedule, which is mainly due to the change in Audit Manager; it would not be appropriate, for example, to develop an Audit Strategy until the new manager is in post. A further update will be presented to Members as part of the Annual Report in July 2022.

Conclusion

16. We have continued our work on the 2021/22 Internal Audit Plan and have made steady progress, with some key audits completed. Managers have agreed the recommendations for all issues raised and consequently there are no risks identified that will not be sufficiently mitigated once these are implemented. We have seen some staffing changes with the departure of the Audit Manager and the arrival of the Auditor. At this stage in the financial year, on the basis of both the assurance and consultancy work completed to date and the outcomes of follow up activity, my interim overall opinion on systems of risk management, governance and control continues to be 'Reasonable' in line with the opinion provided in July 2021.
17. We would like to thank Officers, Managers and Members for their ongoing support and co-operation to enable us to deliver our work.

Jennifer Warrillow

Audit Manager

Annex A – Internal Audit Plan 2021/22

Plan A 2021/22	Audit Title	Type	Current Status	Assurance
1	Assurance Mapping	Consultancy	Fieldwork	
2	Property Investment Strategy	Risk Based	Review	
3	Fraud Risk Assessment	Consultancy	Planning	
4	IT Governance	Risk Based	Planning	
5	Ten Year Budget	Risk Based	Complete	Reasonable
6	Corporate Landlord Liabilities	Risk Based	Fieldwork	
7	Purchase Orders Continuous Assurance	Consultancy	Not yet started	
8	New Service Review - Environmental Health	Risk Based	Audit Committee agreed to cancel	
9	Emergency Planning	Risk Based	Not yet started	
10	Staff Wellbeing	Risk Based	Fieldwork	
11	Appraisals	Risk Based	Complete	Reasonable
12	Information Security	Risk Based	Fieldwork	
13	Safeguarding	Risk Based	Complete	Limited
14	Temporary Accommodation	Risk Based	Fieldwork	
15	Covid-19 Recovery	Risk Based	Not yet started	
16	S106 Agreements	Risk Based	Complete	Reasonable
17	Companies - Quercus	Risk Based	Planning	
18	Grants Process	Consultancy	Complete	N/A
19	Council Tax and Enforcement (shared)	Risk Based	Review	
20	Asset Management	Consultancy	<i>Proposed to defer</i>	
21	Covid-19 Grant Funding	Risk Based	Fieldwork	
22	Ethical Governance	Risk Based	Audit Committee agreed to cancel	
23	Legal Service Processes (Case Management)	Risk Based	Fieldwork	
24	Parking Processes - Residents Permits and PCN processing (including appeals and cancellations)	Risk Based	Complete	Reasonable (PCN Process), Limited (Contractual Arrangements)
25	Corporate Credit Cards	Risk Based	Complete	Limited
26	Payroll	Risk Based	Complete	Reasonable
Plan B 2021/22	Audit Title	Type	Current Status	
1	Council Tax Reduction Scheme	Risk Based	Not yet started	
2	Local Plan	Consultancy	Not yet started	
3	Equality and Diversity	Risk Based	Not yet started	
4	Workforce Development / Talent Management / Succession Planning	Risk Based	Not yet started	
5	Workforce Strategy	Risk Based	Not yet started	

6	Training and Development	Risk Based	Not yet started	
7	Community safety	Risk Based	Not yet started	
8	Taxis	Risk Based	Not yet started	
9	Pre-Application advice	Risk Based	Not yet started	
10	Print Studio	Consultancy	Not yet started	
11	Asset Management	Risk Based	Not yet started	
12	Council Tax Enforcement	Consultancy	Not yet started	
13	Discretionary Powers	Risk Based	Not yet started	
14	Disaster Recovery	Risk Based	Not yet started	
15	My Account function	Risk Based	Not yet started	
16	Governance - Committee Process	Risk Based	Not yet started	
17	Procurement	Risk Based	Not yet started	
18	Safety Advisory Group	Risk Based	Not yet started	
19	Leases	Consultancy	Not yet started	

Annex C - Audit actions

We raise recommendations to assist management in addressing control failings, or to suggest service improvements following the results of our testing. In accordance with our follow-up process all audit actions are tracked and followed up when they fall due. The table below shows all audits with open actions from April 2021 to the date of writing. Column E indicates which of these were due between October and December 2021, which we have now followed up. Columns G and H give a summary of that follow up process:

A - Project	B - Service Manager	C - Report Issue Date & Rating	D - Agreed actions in Final Report	E- Actions due in Q3	F- Not yet due	G - Closed during Q3	H - Deferrals this Qtr.	I - Total actions complete to date	J - Total actions outstanding
COVID-19 Response & Recovery 2020/21	Richard Morris	December 2020 Substantial Assurance	10	2 (M), 1 (L)	0	1 (M), 1(L)	0	9	1
Cyber Security 2020/21	Darren Lepper	February 2021 Limited Assurance	9	1 (H), 1 (M)	0	1 (H)	1 (M)	8	1
Housing Allocations Policy	Rav Kensrey	March 2021 Limited Assurance	6	1 (L)	0	1 (L)	0	6	0
Local Air Quality Management 2020/21	Nick Chapman	March 2021 Limited Assurance	7	1 (H)	0	0	1 (H)	6	1
Fleet Management 2020/21	Trevor Kennett	April 2021 Substantial Assurance	5	1 (L)	0	1 (L)	0	5	0
Licensing Administration Fees 2020/21	Sharon Bamborough	June 2021 Substantial Assurance	5	2 (M)	0	0	0	2	3
Customer Solutions (Phones) 2020/21	Amy Wilton	June 2021 Substantial Assurance	6	0	1 (M)	0	0	5	1
Housing Benefits 2020/21	Heather Gaynor	July 2021 Substantial Assurance	2	1 (M)	0	1 (M)	0	2	0
Payroll 2021/22	Debbie Hoadley	August 2021 Reasonable Assurance	5	2 (M), 3 (L)	0	1 (M), 3 (L)	1(M)	4	1

Ten Year Budget 2021/22	Alan Mitchell	August 2021 Reasonable Assurance	2	1 (M)	1(L)	0	0	0	2
Appraisals 2021/22	Graeme Taylor	October 2021 Reasonable Assurance	5.5	0	2.5 (M), 2 (L)	0	0	0	5.5
Corporate Credit Cards 2021/22	Roy Parsons	October 2021 Limited Assurance	7	2 (H), 3 (M), 1 (L)	1 (M)	2 (H), 3 (M), 1 (L)	0	6	1
Parking Penalty Charge Notices 2021/22	Trevor Kennett	November 2021 Reasonable (PCN Process) Limited (Contractual Arrangements) Assurance	11	2 (M)	2 (H), 4 (M), 3 (L)	2 (M)	0	2	9
Safeguarding 2021/22	Sarah Robson	November 22021 Limited Assurance	8	1 (M)	1 (H), 2 (M)	1 (H), 4 (M)	0	5	3
S106 Agreements	Claire Pamberi	December 2021 Reasonable Assurance	3	0	3(M)	0	0	0	3
		TOTAL	91.5	26	22.5	23¹	3	60	31.5

Based on the results of our follow-up work, there are now **31.5** open actions which we are actively tracking and monitoring. We will report progress on implementation of these actions as they fall due, as part of this regular summary report.

¹ Four additional actions that weren't due in Q3 have been implemented ahead of schedule because of proactive action taken by the service..

Deferrals

This table shows the **two** audit actions that have been deferred or are in progress beyond the due date. Officers have been asked to provide an update on progress, and the reason for the deferral:

Project	Action (including priority)	Original agreed date	Revised date	Reason for deferral	No. of times deferred
Local Air Quality Management 2020/21	1.Approval of Local Air Quality Plan (High)	30/6/21	30/4/22	<p>Manager's Comment: External consultants have completed a report and a consultation period is required. Once the consultation has taken place, the new plan will be presented to Committee for formal approval. A deferral, until the end of January 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p>Audit Comment: Based on the above, this action has been deferred until the end of April 2022.</p>	2
Payroll 2021/22	1.I-Trent Functionality	31/12/21	30/6/22	<p>Manager's Comment: The user guides for the audit trail function have been obtained, but more time is required to go through them. A deferral, until the end of June 2022, has been agreed by the Chief Officer for Finance and Trading.</p> <p>Audit Comment: Based on the above, this action has been deferred until the end of June 2022.</p>	1

Outstanding Actions not deferred / no response to follow up

Project	Action (including priority)	Original agreed date (& revised date if applicable)	Responsible Officer	No. of times previously deferred	Comments
Ten Year Budget 2021/22	1.Updating of Financial Procedure Rules (Medium)	31/12/21	Alan Mitchell	0	Awaiting response.

Annex D – Key Performance Indicators for Q3 (Oct – Dec 2021)

Finance: Associated performance indicators	Q3 (October - December)
<p>F1: Percentage of budgeted days taken to complete projects – <i>Target 100%</i> Reported on a cumulative basis</p> <p>Indicator measures any variance between the days agreed on the final brief vs. the actual time coded</p>	172%
<p>F2: Chargeable days – <i>Target 75%</i> Reported on a quarterly basis</p> <p>Indicator measures the actual chargeable activities against the assumptions made in the audit plan</p>	Average 75%
<p>F3: PSIAS conformance – <i>Target ‘Generally Conforms’ (IIA definition)</i> Reported annually</p> <p>Indicator measures effectiveness of the Quality Assurance & Improvement Programme (QAIP) to ensure compliance with professional Standards.</p>	To be reported at the end of 2021/22
Client satisfaction: Associated performance indicators	Q3 (October– December)
<p>C1: Respondents satisfied with the overall audit experience – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client satisfaction with how we undertook the work, and takes into account our professionalism, approach and competence</p>	4/4 100%
<p>C2: Respondents agreement with the audit actions – <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures Client agreement to the audit findings and resulting actions from our audit work</p>	53.5/54 99%

Internal processes: Associated performance indicators	Q3 (October – December)
<p>I1: Percentage of draft audit briefs issued at least 10 working days before the start of fieldwork. - <i>Target 90%</i> Reported on a project by project basis</p> <p>Indicator measures the effectiveness of our project planning and communications with the client</p>	3/3 100%
<p>I2: Percentage of draft audit reports issued by the date given on the final audit brief - <i>Target 70%</i> Reported on a project by project basis</p> <p>Indicator measures the efficiency of our audit work, currency of our audit finding and effective engagement between Auditors and Clients</p>	1/7 14%
<p>I3: Time taken between issue of the DRAFT report and FINAL report – <i>Target 15 working days</i> Reported on a project by project basis</p> <p>Indicator measures the effectiveness of our process to finalise audit reports and issue the report in a timely manner</p>	6/9 66%
Learning & Development: Associated performance indicators	Q3 (October – December)
<p>L1: Audit actions fully implemented within agreed timescales – <i>Target 80%</i> Reported on a monthly basis</p> <p>Indicator measures the successful implementation of audit actions and the effectiveness of our follow-up process</p>	<p>October – 3/7 = 43%</p> <p>November – 1/2 = 50%</p> <p>December – 5/7 = 71%</p>
<p>L2: Training & development days - Reported annually</p> <p>Indicator measures our investment and time spent on training and development against the assumptions made in the audit plan</p>	42.41 Days (annual budget of 29 days)

Annex E – Quality Action Plan

Theme	Action	Target Date	Status Update
Reporting	Review the assurance levels for individual reports.	To be introduced for financial year 2021/22	Complete
Reporting	Review the assurance levels for the Annual Opinion.	Graded opinion to be provided for 2020/21.	Complete
Reporting	Review report format to ensure that it is fit for purpose but “lean” – only containing elements that add value to the customer. Include guidance notes.	To be introduced for financial year 2021/22.	Complete but continue to monitor - Report format has been reviewed, including guidance notes, and rolled out to team in March 2021 team meeting. If report timeliness and initial quality does not improve following additional training, may need to consider amending further by streamlining again and removing detailed findings section - this will require stakeholder consultation.
Reporting	Deliver report writing training in team meeting session.	Jul-21	Complete
Reporting	Deliver root cause analysis training in team meeting session.	Aug-21	Complete
Reporting	Review action priority levels.	April 2022	Not yet started.
Reporting	Review the Annual Opinion report template and contents to ensure that IA reports to committee are more strategic and focused on outcomes / key themes and issues.	Jul-21	Complete
Co ordination of Assurance	Develop assurance maps for both organisations a) Discuss other forms of assurance as part of	Complete by March 2022.	In progress - Outline complete but change in Audit Manager has delayed work in this area and so will commence during 2022/23.

Theme	Action	Target Date	Status Update
	2021/22 Audit Planning b) Add assurance maps to both Plans for 2021/22		
Co ordination of Assurance	Develop relationships with EA 1) Set up regular liaison meetings (every 4 months?)	For 2021/22 financial year with new EA personnel.	Not yet commenced.
Planning	Develop more risk-based method for 2021/22 periodic planning.	For 2021/22 financial year	Change of Audit Manager delayed this process but a full review of the audit planning process will be undertaken during 2022/23.
Planning	Maintain under review the approach to periodic planning - annually or quarterly / six monthly.	Review again for 2022/23	Complete, changes to periodic planning proposed as part of the Audit Plan 2022/23 paper.
Planning	Develop Audit Strategy for the partnership.	Sep-21	Due to departure of Audit Manager, this will not be complete until new Audit Manager in post and embedded.
Planning	Undertake Culture / Ethics / IT Governance Audits.	March 2022 (for completion of 2021/22 audits)	IT Governance audits on both Plans for 2021/22. Culture on DBC audit plan. Ethical Governance was on SDC Audit Plan but due to departure of Audit Manager is proposed to be deferred until 2022/23.
Planning	Develop mechanism and allocate responsibilities to team members to keep knowledge of key parts of the sector up to date, share updates with team as a whole.	Oct-21	Focus at present is on core audit work, not yet discussed with the team.
Data Analysis	Provide Excel training to the team	Dec-20	Complete - basic data analysis provided over 2 sessions in house and further 1 day external course. Need to review further options once skills matrix complete.
Data Analysis	Arrange demonstration of data analysis software	Dec-20	Complete
Data Analysis	Add data analysis to team objectives	Dec-20	Complete

Theme	Action	Target Date	Status Update
Data Analysis	Add to planning checklist to enforce that it is considered as part of every audit and that non-use is justified - done	Dec-20	Complete
Data Analysis	'Continual' assurance using analysis of data will be trialled as part of the 2021/22 Plans.	Complete by March 2022	Audits on Plans, individual audits not yet commenced.
Data Analysis	Draft data analysis strategy will be prepared by September 2021 (including identification of potential costs) and shared with the s151 officers for agreement of any additional funds required, specifically for training or software	Sep-21	Not yet commenced - difficult at present due to staff changes and as other audit skills need to be fully developed first.
Performance Management	Review suite of KPIs to ensure they measure what we need to know and want to improve	Needs to be in place for 2021/22	Complete
Performance Management	Review calculation of CSQ measure	Needs to be in place for 2021/22	Complete
Performance Management	Quality of work including specific standards, competencies, deliverables and performance measures to be set out in a new suite of objectives for the auditors	Dec-20	Complete
Quality and timeliness of audit work (also links to Performance Management above)	All team members to undertake skills gap analysis against the IIA competency framework.	May-21	Complete
Quality and timeliness of audit work (also links to Performance Management above)	Training plan for 2021/22 to be developed (reliant on completion of the above action)	Jul-21	In progress.

Theme	Action	Target Date	Status Update
Quality and timeliness of audit work (also links to Performance Management above)	Develop a Customer Charter that sets out clear expectations for audit staff and clients. Include expectation that customers will be given 2 weeks to comment on draft report.	To be in place for April 2021	Complete, ongoing need to remind staff of the commitments in the Charter and to ensure they are communicating with clients. Charter to be reviewed in team meeting 24 November.
Quality and timeliness of audit work (also links to Performance Management above)	All staff to continue to complete self assessments at the end of individual audits to identify actions for improvement going forwards.	For 2020/21 audits onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Training on project planning audits to be delivered as part of team meeting	May-21	Complete - delivered over two sessions - April and May 2021.
Quality and timeliness of audit work (also links to Performance Management above)	Weekly 121s and action plans.	November 2020 onwards	In progress and ongoing.
Quality and timeliness of audit work (also links to Performance Management above)	Identical audits across both sites to be allocated to same team member. Some 'task based' teams will be deployed for bigger audits in 2021/22 - Ethical Governance and Culture, will use agile techniques such as daily catch ups and specific task based timings. 'Site based' approach will be considered where practical.	Complete by March 2022	In progress. Audit allocations are complete and where possible, identical audits have been allocated to same staff member. Small teams allocated to Ethical Governance and Culture, FC to lead and adopt task-based, agile approach but EG now deferred. 'Site' approach to be considered as relevant when staff return to office.
Quality and timeliness of audit work (also links to Performance Management above)	Review and update the Audit Manual.	Sep-21	Complete

Theme	Action	Target Date	Status Update
IA Charters	Review Audit Charters for both organisations.	Audit Committee / Board March 2022	Complete
Data Retention	Review and update the information asset register / data retention schedule.	May-21	Complete
Remote Working	Complete Lessons Learned review of the past year as part of team meeting session.	Apr-21	Complete
Follow Ups	Review the follow up process and consider whether quarterly would be more efficient than monthly.	Apr-21	Reviewed as a team but due to KPI and other reporting, decided to remain 'as is' at the moment, but training to be provided to the team May 2021 and auditors asked to be more 'smart' with implementation dates - eg try to have the same date for multiple recommendations where possible. This was reviewed again in October 2021 and decision to be taken to keep current system but continual to review especially with the appointment of a new Audit Manager in February 2022.

Annex F - Definitions of Assurance ratings:

OPINION	DEFINITIONS
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	<p>There is a generally sound system of governance, risk management and control in place.</p> <p>Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</p>
Limited Assurance	<p>Significant gaps, weaknesses or non-compliance were identified.</p> <p>Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</p>
No Assurance	<p>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified.</p> <p>The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</p>